BRITISH COLUMBIA | BCStats

Infoline

Contact: bcstats.infoline@gov.bc.ca *Issue: 11-29* *July 22nd, 2011*

- **BC's inflation rate slows to 2.7% in June**
- **Retail sales fall 0.7% in May**
- **New motor vehicle sales stall in May**

Prices

- **Consumer prices in British Columbia rose 2.7% in June compared to the same month in 2010, a slowdown from the 3.1% recorded in May.** Inflation in June was largely driven by substantial increases in the price of gasoline (+19.6%) and the cost of meals purchased at restaurants (+8.8%). Excluding energy, consumer prices in the province rose a more modest 2.0%. *Data Source: Statistics Canada*

- **Compared to the previous year, the cost of food in British Columbia jumped 5.9% in June, with bills for meals purchased from restaurants rising 8.8%.** It should be noted, however, that this inflation rate includes the effects of the introduction of the Harmonized Sales Tax (HST), which came into effect July 1, 2010. Grocery bills rose 4.5% led by higher prices for non-alcoholic beverages (+9.4%), vegetables (+6.2%) and baked goods (+5.2%).

  Despite soaring homeowner insurance premiums (+16.9%), shelter costs inched ahead just 0.9%. Utilities remained virtually unchanged in June. Costs related to household operations (+4.8%) were up sharply, while the index for furnishings fell (-3.7%) for a third consecutive month.

  Prices at the pump climbed sharply (+19.6%), which along with higher fees for public transportation (+6.8%), pushed total transportation costs 4.9% higher. Purchase prices of passenger vehicles eased (-3.1%) in June. Clothing (-4.2%) and footwear (-4.3%) were markedly less expensive, while costs associated with health & personal care (+1.9%) and recreation, education & reading materials (+2.2%) were higher. Alcohol & tobacco (+3.3%) prices also rose. *Data Source: Statistics Canada*

- **Nationally, consumer prices advanced 3.1%, primarily due to a 28.5% increase in gasoline prices and a 4.8% rise in the cost of food purchased from stores.** Inflation was highest in Nova Scotia (+4.4%), Ontario (+3.6%) and New Brunswick (+3.6%). BC's inflation rate of 2.7% was third lowest after Alberta (+2.1%) and Saskatchewan (+2.6%).

  Data Source: Statistics Canada

The Economy

- **Retail sales in British Columbia slipped 0.7% (*seasonally adjusted*) in May, following three straight monthly gains.** Increased sales by health & personal care (+2.3%), electronics & appliance (+1.2%) and miscellaneous (+5.6%) retailers, were offset by flagging sales at gasoline stations (-1.1%), furniture stores (-2.0%) and motor vehicle & parts dealers (-2.4%). Nationally, sales edged up 0.1% in May. PEI (+2.0%) and Manitoba (+1.5%) posted the largest increases, while Nova Scotia (-1.0%) and BC (-0.7%) registered the deepest declines.

  Data Source: Statistics Canada

- **Wholesale sales in the province increased in May, (+3.8% *seasonally adjusted*), ending three consecutive months of declines.** Most other provinces posted gains, most notably in Saskatchewan (+7.3%) and PEI (+8.6%). Total Canadian sales continued to seesaw, escalating 1.9% in May. Much of the increase was attributable to higher sales in the farm, lawn & garden machinery & equipment (+26.1%) and

Report Log Boom for BC Exporters

Did you know...

Roughly half (48%) of Canadians engaged in social media have extended their brand loyalty into that sphere, and either "like" or "follow" at least one brand or product.

Data Source: Ipsos North America

agricultural supplies (+27.8%) sub-sectors.

Data Source: Statistics Canada

- **New motor vehicle sales in BC stalled in May, plunging 10.9% (*seasonally adjusted*).** Canada-wide, sales of new motor vehicles fell 6.1%, reflecting slower activity in nine provinces. PEI (-12.3%) recorded the most substantial decline, while Saskatchewan (+1.7%) was the only province to see an increase.

Data Source: Statistics Canada

- **The number of regular employment insurance (EI) beneficiaries in the province continued to decline (-2.4%, *seasonally adjusted*) in May.** Nationally, the number of recipients dropped 3.0%, marking the eighth consecutive monthly decline. Numbers were down in most provinces, led by Alberta (-7.1%), Quebec (-3.2%) and Ontario (-3.3%).

Data Source: Statistics Canada

Crime

- **Police-reported crime in British Columbia continued to fall in 2010 with both the traditional crime rate (-6%) and the Crime Severity Index (-7%) decreasing.** The Crime Severity Index is calculated using weights based on average sentences imposed over the most recently available five year period and intends to provide a measure that weighs less frequent yet heinous crimes, such as murder or sexual assault, more heavily than less serious but more numerous offenses such as shoplifting or mischief. The drop in these two measures indicates a reduction in both the volume and severity of police-reported crimes during the year. Decreases in the total crime rates in BC and Alberta (-6%) were the most substantial in the country, with the national crime rate falling 5% between 2009 and 2010.

  The rate of violent crime in BC was 6% lower in 2010. Homicide (-31%) and attempted murder (-34%) rates plunged. Physical assault[1] rates also declined over the period (-5%), but the sexual assault rate jumped (+10%).

  BC's property crime rate saw a notable decrease (-8%) between 2009 and 2010. The number of police-reported offences in major property crime categories was down from the previous year, most notably for motor vehicle theft (-20%) and breaking and entering (-8%).

  Crime rates for police-reported drug-related offences were up, with increases in crime rates connected with the trade of cannabis (+15%) and other drugs (+6%) outweighing a slight decline in the cocaine-related crime rate (-5%). The rate of impaired driving violations was down 8%. *Data Source: SC Cat. # 11-001-XIE*

- **Victoria (-10%), Kelowna (-9%), Vancouver (-6%) and Abbotsford-Mission (-5%) all registered lower overall crime rates in 2010, the result of a general reduction in violent crime and property crime rates in those cities.** At 2.3 per 100,000 population, the homicide rate in Abbotsford-Mission remained the highest of the province's census metropolitan centres (CMAs) and above the Canadian average (1.6). Thunder Bay (4.2) had the highest rate among the nation's CMAs.

Data Source: SC Cat. # 11-001-XIE

The Nation

- **Canadians acquired $3.5 billion worth of foreign securities in May.** Residents added $6.0 billion of foreign stocks to their portfolios, while simultaneously continuing to shed foreign bonds (-$2.4 billion). Similarly, investment in Canadian securities by non-residents strengthened in May, totalling $15.4 billion. *Data Source: Statistics Canada*

[1] Physical assault here includes "assault", "assault with a weapon causing bodily harm" and "aggravated assault".

For data originating from Statistics Canada, data sourced to 'Statistics Canada' has been retrieved from CANSIM, the agency's electronic database; otherwise the source is identified as 'SC' plus the catalogue number.

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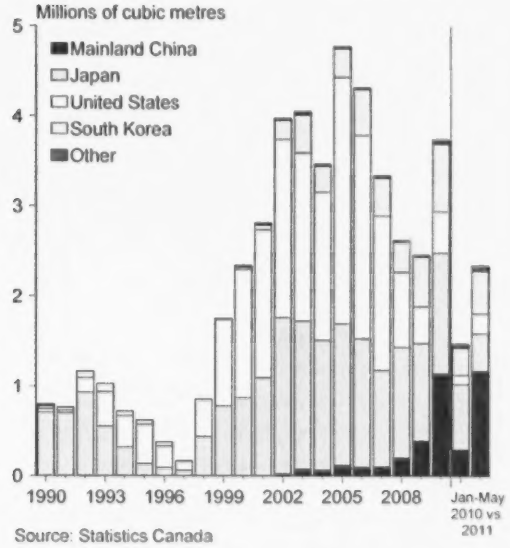
Log Boom for BC Exporters

The volume of unprocessed logs exported from BC jumped by over 50% in 2010 and it appears that log exports are on pace for a similar increase in 2011. The increase in 2010 followed four consecutive years of declines in the volume of logs exported. The 3.7 million cubic metres of logs exported from BC in 2010 was still well below the peak of 4.8 million cubic metres shipped to international destinations in 2005.

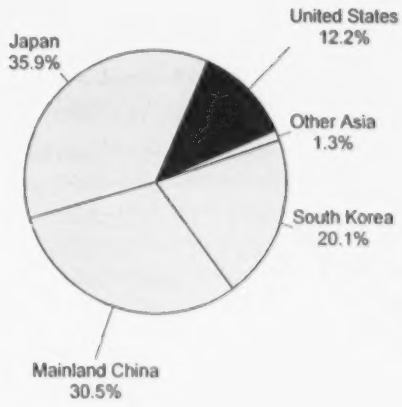
BC log exports increased substantially in 2010 and are on pace for another large jump in 2011



Source: Statistics Canada

Over the last several years, most of the logs exported from BC have been shipped to one of four destinations: Japan, Mainland China, South Korea and the United States. The share of logs shipped to the US has fallen significantly in recent years, such that, in 2010, it received only 12% of BC's log exports. The remainder was shipped to Asian destinations with 36% exported to Japan, 30% to Mainland China, 20% to South Korea and the balance to Hong Kong, Taiwan and India.

The large majority of BC's log exports were destined for Asia in 2010



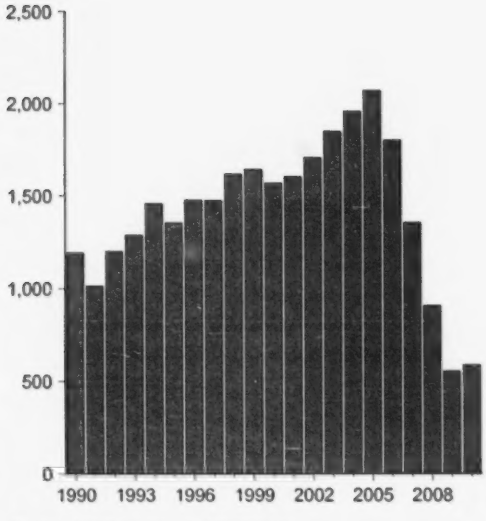
Source: Statistics Canada

The reduction in volumes of logs exported to the United States has been a direct result of the drop in demand for housing. US housing starts peaked in 2005, but over the next few years, the housing bubble burst, mainly as a result of the subprime mortgage crisis that was one of the primary contributors to the global economic downturn that began in 2008. Many Americans were lured into purchasing homes that were ultimately beyond their budgets with short-term subprime lending rates. However, when those initial rates expired and gave way to higher interest payments, a significant number of homeowners faced foreclosure as they were unable to meet their mortgage commitments. This left the housing market flooded with homes and new home construction slowed considerably. As a result, the US demand for lumber fell sharply, affecting lumber mills in both Canada and the

United States. Consequently, the demand for unprocessed logs from BC dropped, not only in the United States, but also within BC.

Over the last couple of years, the number of housing starts in the United States has been less than a third of what they were just a few years earlier.

Housing starts in the United States are well down from historical levels

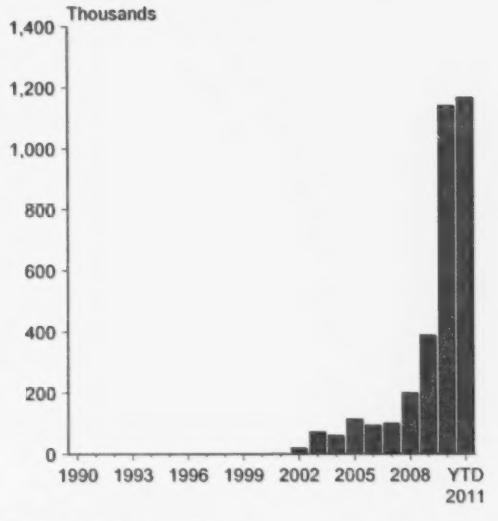


Source: US Department of Commerce

While the market for lumber in the United States has been poor, the opposite is true for Mainland China. China's appetite for lumber has been virtually insatiable and given that it plans to build 36 million homes by 2015 as part of a five-year plan,[†] it is unlikely this demand will wane anytime soon.

BC's exports of softwood lumber to China have soared in the last few years, climbing 78% in volume between 2009 and 2010. However, that increase pales in comparison to the growth in volume of logs shipped from BC to China. From 2009 to 2010, the volume of logs exported from BC to China almost tripled. In fact, BC exported more logs to China in 2010 than in the previous 20 years combined.

BC's log exports to Mainland China in 2010 exceeded the cumulative sum of log exports to that country in the previous 20 years



Source: Statistics Canada

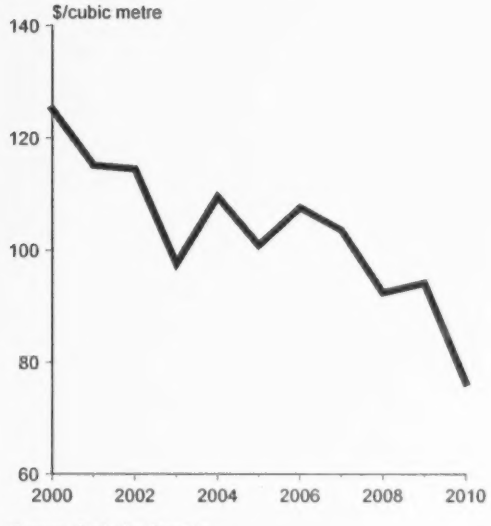
The Chinese demand for unprocessed timber from BC has continued in 2011. Year-to-date from January through May, the volume of logs shipped to China already exceeds the total amount shipped in all of 2010.

In addition to demand pressures due to new housing construction, there have also been supply-side issues that have resulted in the boost in exports of logs and lumber from BC to China. A history of overharvesting in China has led to restrictions on logging within that country, such that the Chinese demand for wood cannot be met domestically. Russia was a key supplier of logs for

[†] China goes on building spree. (2011, March 15). *The Province*, p. A31.

Chinese mills, but in 2008 the Russian government imposed a hefty export tax of 25% on unprocessed logs in an attempt to encourage development of the Russian sawmilling industry. The result was a dramatic decline in log exports from Russia, which left the door open for other suppliers to fill the gap. British Columbia logging companies were among those that gained a foothold in the Chinese market. Russia has apparently offered to halve the export duty on logs in order to gain ascension to the WTO, which could impact the volume of future log exports from BC to China. However, the duty would still be 12.5%, which may not be low enough to be competitive with other suppliers such as those in British Columbia.

The implicit price of BC logs exported to the United States has fallen in lockstep with demand

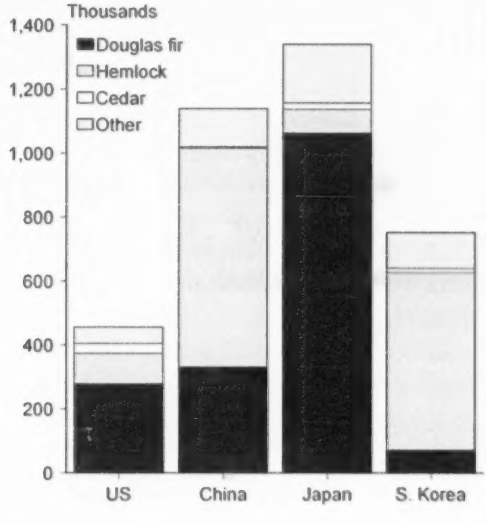


Source: Statistics Canada

The strong growth in Chinese demand for logs and lumber products has been a boon for BC's forest sector, particularly in light of the slump in shipments to the United States. The average price paid for logs exported to the US has been trending down over the last decade, such that, by 2010, it was around 60% of the level exporters received in 2000. Some of this may be due to a change in the mix of species shipped to the US, but most of it is likely due to the reduction in housing starts and the subsequent slump in demand for lumber.

The average price paid per cubic metre of log exported from BC to China exceeded that of both the US and Japan in 2010, despite the fact that log shipments to Japan and the United States are largely comprised of higher-valued species, such as Douglas fir, while exports to Mainland China and South Korea were mainly made up of hemlock, which is generally a lower-valued wood.

Most of the logs shipped to Mainland China and South Korea in 2010 were comprised of lower-valued hemlock



Source: Statistics Canada

It is possible that the US and Japan are receiving lower grades of lumber, which accounts for some of the difference in average price. Also, given the strength of demand, the Chinese have been willing to pay a premium for

logs. It should be noted that pine beetle-killed wood is not among the possible reasons for price differences, as very little pine beetle wood is exported as logs.

The short-term outlook for BC log exports appears to be a continuation of recent trends. The US housing market is not expected to rebound in the near future and barring a sudden influx of wood from Russia, China's demand for logs from BC is likely to continue.

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also on the Internet at www.bcstats.gov.bc.ca or choose RSS

BC at a glance . . .

POPULATION (thousands)	Apr 1/2011	% change on one year ago
BC	4,563.3	1.1
Canada	34,349.2	1.1
GDP and INCOME (Released Nov 4)		
(BC - at market prices)	2009	% change on one year ago
Gross Domestic Product (GDP) *($ millions)*	191,006	-3.4
GDP *($ 2002 millions)*	161,851	-1.8
GDP *($ 2002 per Capita) (reflects revised pop)*	36,287	-3.5
Personal Disposable Income *($ 2002 per Capita)*	25,374	-1.9
TRADE ($ millions, seasonally adjusted)		% change on prev. month
Manufacturing Shipments - May 2011	3,052	-3.9
Merchandise Exports - May 2011	2,733	12.6
Retail Sales - May 2011	4,921	-0.7
CONSUMER PRICE INDEX	% change on	12-month avg
(all items - Jun 2011)	one year ago	% change
BC	2.7	2.3
Vancouver	2.6	2.5
Victoria	2.6	2.1
Canada	3.1	2.5
LABOUR FORCE (thousands)		
(seasonally adjusted)	Jun 2011	% change on prev. month
Jobs Created (-Lost) - BC	-9.4	
Labour Force - BC	2,446.1	-0.7
Employed - BC	2,268.7	-0.4
Unemployed - BC	177.5	-4.7
		May 2011
Unemployment Rate - BC *(percent)*	7.3	7.6
Unemployment Rate - Canada *(percent)*	7.4	7.4
INTEREST RATES (percent)	Jul 20/2011	Jul 21/2010
Prime Business Rate	3.00	2.75
Conventional Mortgages - 1 year	3.50	3.50
- 5 year	5.39	5.79
US-CANADA EXCHANGE RATE	Jul 20/2011	Jul 21/2010
(avg. noon spot rate) Cdn $ per US $	0.9479	1.0427
(closing rate) US $ per Cdn $	1.0555	0.9545
AVERAGE WEEKLY WAGE RATE		
(industrial aggregate - dollars)	Jun 2011	% change on one year ago
BC	839.42	0.9
Canada	834.53	2.4

SOURCES:

Population, Gross Domestic Product, Trade, Prices, Labour Force, Wage Rate } Statistics Canada

Interest Rates, Exchange Rates: Bank of Canada Weekly Financial Statistics

For latest Weekly Financial Statistics see www.bankofcanada.ca

BC Labour Market Outlook 2010-2020

The second annual Labour Market Outlook (2010-2020) report, featuring labour market supply and demand projections by occupation and region, is now available. Based on the BC Labour Market Scenario Model (undertaken by the Ministry of Jobs, Tourism and Innovation in partnership with BC Stats and the Ministry of Finance), this report provides projections of future job openings and potential labour market imbalances.

http://www.workbc.ca/docs/BCLMOutlook.pdf

Socio-Economic Profiles 2010

The 2010 Socio-Economic Profiles are now available. These profiles present data in tables and charts on population, economic hardship, labour market, education, crime, health and risk factors for children and youth. Some special regions and the Indices should be available by the end of June.

http://www.bcstats.gov.bc.ca/data/sep/choose.asp

2010 BC Apprenticeship Student Outcomes Survey Summary Report

The 2010 Apprenticeship Student Outcomes (APPSO) Survey was conducted with former students who completed the final year of their apprenticeship training in a B.C. post-secondary institution between July 1, 2008 and June 30, 2009. Approximately six months later, from January to April of 2010, 2,750 former students from 29 institutions (14 public and 15 private) participated in survey telephone interviews - the gross response rate was 56 percent. For more information on BC Student Outcomes, visit BC Student Outcomes

http://outcomes.bcstats.gov.bc.ca/Libraries/APPSO_Reports/2010_Apprenticeship_Report_pdf.pdf

Released this week by BC Stats

- Consumer Price Index, June 2011

Next week

- Business Indicators, July 2011

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